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Ake Almgren  
Chair, PJM Board of Managers

October 23, 2018

OPSI President  
Hon. John R. Rosales  
The Organization of PJM States, Inc. (OPSI)  
700 Barksdale Road, Suite 1  
Newark, Delaware 19711

**Re: Proposed Agenda for October 30, 2018 Board to Board Meeting**

Dear Members of the OPSI Board,

Thank you for your October 16, 2018 letter containing proposed topics for the meeting between our Boards on October 30, 2018. The PJM Board agrees OPSI's identified topics are important and timely for a strategic dialogue. Additionally, the PJM Board wishes to include a topic -- discussion of OPSI's September 26, 2018 letter regarding capacity reform.

The PJM Board looks forward to the discussion and encourages a time allocation reflecting prioritization to ensure sufficient attention may be devoted to each topic. The PJM Board also would be interested in identifying next steps for OPSI and PJM to continue working together on each of the topics.

We appreciate the preview of OPSI's perspectives and questions on the topics offered in your October 16, 2018 letter. These topics are important to the evolution of the electric industry, and we collectively need to work together to navigate them in the best manner to ensure reliability and cost efficiency while accommodating state public policy. To the extent there may be detailed questions associated with these topics, such as those outlined in your October 16, 2018 letter, we will commit PJM staff to work with OPSI following this meeting. To best utilize our limited time together, we suggest focusing on the policy or principles driving these important topics.

We offer the following considerations for the high level discussion topics and time allocations below:

**1. Capacity Reform Filing (15 Mins)**

The PJM Board appreciates OPSI's September 26, 2018 letter supporting a self-supply exemption and describing an OPSI proposal to use competitive market forces to both achieve policy objectives and ensure resource adequacy. We would like to continue the discussion of commitments to further develop the proposal outlined in Mr. Ott's October 15, 2018 response letter inviting a proposed path for next steps.

## 2. Energy Price Formation (25 Mins)

Energy Price Formation is an important initiative. Thank you for identifying this topic for discussion. The PJM Board believes this topic is important; it arises from a dramatic change in supply mix over that 10 years that in turn demands evolution of PJM's rules of how prices are formed and reserves are valued. The key question we are trying to answer with energy price formation is: What is the best way for energy prices to transparently reflect the value of energy or reserves used to meet demand at any given time?

We welcome OPSI's perspective on underlying themes inherent in the energy price formation discussion. Without changes to PJM's energy price formation, has reliance on PJM's capacity market become outsized and, therefore, incentives misplaced?

## 3. Resilience (25 Mins)

The PJM Board recognizes the importance of resilience as a nationwide, industry-level matter of importance and greatly respects the state regulators' engagement on this topic. The PJM Board would like to hear from OPSI on its views regarding PJM's role of ensuring a more resilient power grid. The thematic question of resilience rests with: are there credible vulnerabilities that exist to the power grid that are not presently captured in planning or operating the grid?

We suggest exploring this question collectively, and, hearing OPSI's perspectives on a deliberative and collaborative exercise for evaluating resilience efforts. For example, the PJM Board could also benefit from hearing OPSI's perspectives in evaluating distribution system hardening efforts; how those efforts were evaluated; and, what lessons were learned from those experiences.

## 4. Summer-Only Demand Response (15 Mins)

The Board has followed the activities of the Summer-Only Demand Response Senior Task Force and is awaiting outcome of the pending stakeholder vote. The PJM Board looks forward to hearing OPSI's views on this discussion following the October 25, Markets and Reliability Committee vote on the matter.

In closing, we seek to achieve agreement on this agenda and time prioritization prior to our meeting October 30 so that we may best utilize our time together for the benefit of our collective interests. Additionally, we seek to capture any next steps actions resulting from the Board to Board discussion, so that PJM management and staff will continue a constructive dialogue with OPSI following this meeting.

Sincerely,

*Ake Almgren*

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